

**Department of Management and Budget
Acquisition Services**

**Report of Proposed Changes in Excess of \$500,000
To Current Contracts for Computer Software Development,
Hardware Acquisition, or Quality Assurance**

Sec. 713 of Public Act 161 of 2003

(May 18, 2004)

Questions regarding this report may be directed to Jim Konrad, 517-373-0315

May 18, 2004

**BID TABULATION AND RECOMMENDATION FOR AWARD
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES**

**CONTRACT
DESCRIPTION:**

071B0000606 - Business Process Re-engineering -
Department of Management and Budget, Office of
Retirement Services

CONTRACT PERIOD -

BASE YEAR(S):

7/01/00 through 6/30/04 (4 years)

☐ - OPTION 1

☐ - OPTION 2

☐ - OPTION 3

CONTRACTOR:

Covansys, Okemos, MI

INCREASE

\$2,233,334.00

☒ - Check if a Michigan-based Business

☒ - Check if AS1 received by Acquisition Services and reviewed by DMB

☒ - Check if request is to extend contract (no option in base contract) - Time period of extension:

7/1/04 through 6/30/05 (1 year) with 2 optional 1-year extensions

☐ - Check if extension request is beyond option year(s) - Time period of extension:

PURCHASE JUSTIFICATION:

Description of Product Service Requested: This contract is for the vendor to design, construct, and deploy a Fully Integrated Application (Vision ORS) capable of supporting the ORS information technology vision. Section 11.3 of the Contract provides the State with an option to purchase from the vendor, under a separate Statement of Work, additional maintenance and support services. These services include repairing defects in the application after conclusion of the applicable Warranty Period and performance of modifications and enhancements as requested by the State. The vendor will continue to provide warranty support as stipulated in the contract, but after training is completed, the State will be responsible for overall support and maintenance for the application. The State is not currently prepared for this responsibility without additional support. Stages 1.0, 2.0, and 3.1 of Vision ORS have been implemented and ongoing support and maintenance for these stages must be implemented. The Vision ORS application is large and complicated, built on an equally complex technical architecture. Assuming responsibility for this system is not something that can be done without the proper knowledge, skills, and experience. This increase and extension is to implement a blended team of professionals to support the Vision ORS application. The team will consist of vendor and State personnel. The blended team solution provides the State with the benefits of a full outsource without the cost, and gives the State a path forward toward a full State resourced team.

Purpose/Business Case of New Contract, Amendment, or Extension and Expected Outcomes: This request is to provide support responsibility that will progressively be transitioned from the vendor to the State. During this transition period, the Application Support Team will seek to realize the following goals: (1) Valued Software/Systems Projects: performing development and system support projects that provide immediate benefit to ORS by completing enhancements and providing technical operations support, (2) Foundation Building: engaging in the work needed to lay a solid foundation for a successful long-term Application Support organization, including projects associated with implementing tool sets, building knowledge bases, and establishing processes, and (3) State Knowledge Base: working to build skills and application knowledge for the State employees while providing a safety net against system failure. Realizing these goals will be an evolutionary process that involves building the team's capabilities and experience while active vendor development and warranty work is still underway.

Commitment: Fixed price for services subject to appropriation.

Funding Source: 100% general

Risk Assessment: Current staffing within the State is insufficient in core technology and application specific knowledge and experience to support the existing application without assistance from the vendor. In providing monthly pensions to approximately 160,000 benefit recipients, as well as supporting data collection and active employment information for over 350,000 active members, the DMB ORS is openly exposed to a large population of state residents. It is critical that the application used to support this population is well maintained. A key mitigation strategy for the above risk is the inclusion of key State DIT personnel in the Application Support Team.

Cost Reduction Consideration:

A. Negotiated Savings: Vendor agreed to hourly rate reductions for staff ranging from 18 to 32% rate reductions, with an average rate reduction of 25%.

B. Cost Avoidance:

C. Total Savings: \$683,333.00, 25%

PRICE CLAUSE: 2005 hourly rate increase limited to lower of 3% or increase for State of Michigan employees.

CS-138: 191S9000012

ORIGINAL CONTRACT AMOUNT: \$2,107,854.00

CURRENT CONTRACT AMOUNT: \$28,238,604.00

PROPOSED AMENDMENT INCREASE AMOUNT: \$2,233,334.00

PERCENTAGE OF CHANGE BETWEEN AMENDMENT AND ORIGINAL CONTRACT AMOUNT: 106%

**PERCENTAGE OF CHANGE BETWEEN AMENDMENT AND CURRENT CONTRACT
AMOUNT: 8%**

ESTIMATED 04 FISCAL YEAR INCREASE: \$558,334.00

NEW TOTAL CONTRACT COST: \$30,471,938.00

☒ Check if > \$500,000 for software development, computer hardware acquisition or quality assurance?

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Buyer Signature

Manager Signature

Division Director Signature

Acquisition Services Director Signature